



Incentives for Hydrogen & Microturbine Equipment

The federal Energy Policy Act of 2005 expands and increases the business tax credit to include fuel cell and microturbine electrical generating equipment (Energy Policy Act 2005, Section 1336 and Section 1337). South Carolina law provides tax credits and grants for hydrogen equipment (Act No. 83, 2007).

What is covered?

FEDERAL

- The business tax credit has been expanded for tax years 2006 and 2007 to include fuel cell equipment and microturbine power plants.
- For tax years 2006 and 2007, a tax credit of 30% can be taken for the cost of purchasing and installing fuel cell equipment.

STATE

- Beginning in 2007, there is a sales tax exemption for any device, equipment, or machinery operated by hydrogen or fuel cells, any device, equipment, or machinery used to generate, produce, or distribute hydrogen and designated specifically for hydrogen applications or for fuel cell applications, and any device, equipment, or machinery used predominantly for the manufacturing of, or research and development involving hydrogen or fuel cell technologies.
- Beginning in 2007 there is a fund known as the 'South Carolina Hydrogen Infrastructure Development Fund'. The revenues of the fund will be distributed in the form of grants by the South Carolina Research Authority and used for the purpose of promoting the development and deployment of hydrogen production, storage, distribution, and dispensing infrastructure and related products and services that enable the growth of hydrogen and fuel cell technologies in the State, either by the authority or a grantee.

Maximum credit allowed

- For the federal credit, the maximum tax credit for fuel cell equipment is \$500 for each 0.5 kilowatt of electrical capacity of the system.
- For the federal credit, the maximum tax credit for microturbine equipment is 10% of the purchase and installation price of the equipment is allowed, up to \$200 for each kilowatt of capacity of the system.

- For the state sales tax exemption there is no limit.
- For the state grant program in 2007 there is an allocated \$5,000,000. In the future it is unclear how much will be available.

Take note!

- Fuel cell power plants must have a generating capacity of at least .5 kilowatt and generation efficiency of greater than 30 percent. Microturbine power plants must have a capacity of less than 2,000 kilowatts, and a generation efficiency of not less than 26 percent.

How Now?

- Federal tax credits for fuel cell and microturbine equipment are entered on IRS Form 3468 (2006). The amount for fuel cells is entered on line 2c. The amount for microturbines is entered on line 2f.
- New forms have not yet been released by the SC Department of Revenue for tax credits for sales tax exemptions for hydrogen equipment and hydrogen grant information has not yet been released by the SC Research Authority.

Disclaimer: This information is not intended to provide advice on legal interpretations of the law. This information should not be relied upon in taking or refraining from taking any action related to the topics covered. The best source of information is guidance provided by the Internal Revenue Service and the South Carolina Department of Revenue.

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